

THE AMERICAN LEGION NATIONAL HEADQUARTERS

Financial Statements
July 31, 2018
With Supplementary Information

The American Legion
National Headquarters
Balance Sheet
July 31, 2018

Assets	
Current Assets	
Cash	18,168,103
Accounts Receivables	
Emblem Division	248,058
Magazine Division	1,311,146
Other	(485,688)
Total Accounts Receivables	1,073,515
Inventory	
Emblem	2,571,093
Magazine	351,330
Other	42,180
Total Inventory	2,964,603
Prepaid	
Expenses and Supplies	1,351,696
Deferred Membership Expenses	3,912,120
Postal Deposit	1,275,791
Total Prepaid	6,539,607
Investment	
Accrued Interest	732,979
The Restricted Fund	32,115,018
The Reserve Fund	2,055,851
Segregated For Building	6,090,180
Paid-Up-For-Life Fund	27,754,368
Other	24,423,495
Investment in Affiliate	23,345
Total Investment	93,195,237
Property Net Book Value	
Washington DC Land	80,000
Indianapolis Land	389,264
Washington DC Building	892,206
Indianapolis Building	1,678,434
Work in progress - DC	3,396
Work in progress - Indianapolis	70,518
Total Property	3,113,818
Equipment Net Book Value	
Washington DC	255,522
Indianapolis	685,878
Total Equipment	941,401

The American Legion
National Headquarters
Balance Sheet
July 31, 2018

Assets - Continued

Other Assets

Receivable from Endowment Fund	2,000,000
Total Other Assets	<u>2,000,000</u>

Total Assets	<u><u>127,996,284</u></u>
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Liabilities and Fund Balance

Current Liabilities

Account Payable	3,848,014
Deposit on Emblem Sales	430,532
Prepaid Advertising	117,996
Pension Expenses	19,449,457
Scholarship Payable	-
Deferred Dues Income	18,797,960
Accrued Vacation Pay	1,030,502
Other Liabilities	890,099
Deferred Baseball Revenue	-
Deferred Royalties	2,400,825

Total Current Liabilities	<u>46,965,383</u>
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Long Term Liabilities

Mortgage	512,049
PUFL - Future Dues	52,807,558

Total Long-term Liabilities	<u>53,319,607</u>
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Total Liabilities	<u><u>100,284,990</u></u>
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Funds

General Fund	(23,079,360)
Legacy Scholarship	13,360,721
Overseas Graves Fund	972,346
PUFL Fund	(21,275,841)
The Restricted Fund	33,325,054
The Reserve Fund	2,243,241
Samsung Scholarship	5,000,000
Other Funds	15,774,542

Year-To-Date Net Surplus/(Deficit)	<u>1,390,590</u>
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Total Funds	<u><u>27,711,294</u></u>
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Total Liabilities and Funds	<u><u>127,996,284</u></u>
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The American Legion
National Headquarters
Income Statement
July 31, 2018

	July	2018 Year to Date	2017 Year to Date	2018 Year to Date vs. 2017 Year to Date Variance Favorable/ (Unfavorable)	Year to Date Variance % (dec)/inc
Revenue					
Membership	\$3,081,033	\$21,221,635	\$22,056,100	(\$834,466)	-3.78%
Membership Services	18,279	107,279	319,510	(212,231)	-66.42%
Royalties	721,365	1,972,314	1,473,949	498,365	33.81%
Investments	275,887	1,851,702	1,793,196	58,506	3.26%
Contributions and Fundraising	1,242,956	8,123,188	7,019,717	1,103,471	15.72%
Endowment	-	-	-	-	
Emblem Sales	1,147,807	9,130,728	9,023,722	107,005	1.19%
Label and Printing Program	20,880	213,914	941,703	(727,789)	-77.28%
Magazine Income	650,950	5,049,707	5,557,087	(507,380)	-9.13%
Program Income	793,011	2,111,185	2,256,249	(145,064)	-6.43%
Other Income	284,904	557,004	907,938	(350,934)	-38.65%
Total Revenue	8,237,072	50,338,655	51,349,172	(1,010,517)	-1.97%
Cost of Goods Sold	778,791	5,678,110	6,412,423	734,313	11.45%
Gross Profit	7,458,281	44,660,545	44,936,749	(1,744,830)	-3.88%
Expenses					
Salaries and Benefits	1,986,918	12,714,395	13,361,002	646,607	4.84%
Magazine Expenses	859,039	6,000,983	5,900,544	(100,439)	-1.70%
Grants	46,945	1,322,680	1,378,817	56,137	4.07%
Programs	774,066	3,413,850	3,574,790	160,940	4.50%
Fundraising	681,036	4,506,133	5,773,300	1,267,167	21.95%
Occupancy	196,015	1,227,733	1,195,002	(32,730)	-2.74%
Office Operations	1,365,110	8,279,516	9,286,268	1,006,751	10.84%
Postage and Printing	373,010	2,890,235	3,167,967	277,732	8.77%
Total Expenses	6,282,140	40,355,525	43,637,690	3,282,165	7.52%
Net Operating Suplus/(Deficit)	1,176,142	4,305,020	1,299,059	3,005,961	231.40%
Unrealized Gains/Losses	-	2,919,040	(1,041,550)	3,960,590	
Allocations	(902)	(4,610)	(1,949)	(2,661)	
Net income	\$1,177,044	\$1,390,590	\$2,342,558	(\$951,968)	-40.64%

The American Legion National Headquarters

Current vs. Prior Year Variance Explanations

July 31, 2018

	2018 YTD	2017 YTD	Favorable/ (Unfavorable)	Percent Change
Revenues				
National Dues	21,221,634	22,056,100	(834,466)	(3.78%)
Emblem Income	9,130,728	9,023,722	107,006	1.19%
Advertising Income	5,049,707	5,557,087	(507,380)	(9.13%)
Fundraising	1,781,910	2,167,715	(385,805)	(17.80%)
Contributions	6,341,278	4,852,002	1,489,276	30.69%
Royalties & Member Service Income	2,079,593	1,793,459	286,134	15.95%
Programs Income	2,111,185	2,256,249	(145,064)	(6.43%)
Investment Income	1,851,702	1,793,196	58,506	3.26%
Other Income	770,918	1,849,641	(1,078,723)	(58.32%)
Total Revenues	50,338,655	51,349,171	(1,010,516)	(1.97%)
Net Revenue & Transfers & Release	50,338,655	51,349,171	(1,010,516)	(1.97%)
Expenses				
Wages	9,825,373	9,557,534	(267,839)	(2.80%)
Benefits	2,889,022	3,803,469	914,447	24.04%
Cost of Goods Sold	5,678,110	6,412,423	734,313	11.45%
Grants	1,322,680	1,378,817	56,137	4.07%
Direct Publications (Magazine Cost)	6,000,983	5,900,544	(100,439)	(1.70%)
Operations expenses	8,279,516	9,286,268	1,006,752	10.84%
Postage and Printing Expense	2,890,235	3,167,967	277,732	8.77%
Occupancy and Usage	1,227,733	1,195,002	(32,731)	(2.74%)
Programs	3,413,850	3,574,790	160,940	4.50%
Fundraising	4,506,133	5,773,300	1,267,167	21.95%
Total Expenses	46,033,635	50,050,114	4,016,479	8.02%
Surplus from Operations	4,305,020	1,299,057	3,005,963	231.40%
Other Income & Expense				
Unrealized Gain / Loss	2,919,040	(1,041,550)	3,960,590	(380.26%)
Other Income/Expenses (Pension, PUFL)	0	0	0	
Total Other Income & Expense	2,919,040	(1,041,550)	3,960,590	(380.26%)
Transfers/Allocations				
Transfers/Allocations	(4,610)	(1,949)	(2,661)	136.53%
Total Transfers	(4,610)	(1,949)	(2,661)	136.53%
Revenue in Excess (Deficiency) of Expenses	1,390,590	2,342,556	(951,966)	(40.64%)

The American Legion National Headquarters

Current vs. Prior Month Variance Explanations

July 31, 2018

Category	Favorable/ (Unfavorable)	Reason		
		Accounting /accrual	Timing/ One Time	Volume/Rate
REVENUES:				
National Dues	(834,466)			
Current year dues income less than last year.				(766,577)
Current year DMS income less than last year.				(67,889)
Emblem Income	107,006			
Legion sales income greater than last year.				101,924
Special order sales down from last year to date.				(82,861)
Shipping income greater than last year due to greater sales.				57,175
Auxiliary sales up from last year.				30,532
Royalties greater than last year.				413
Navy Club purchases down from last year.				(177)
Advertising Income	(507,380)			
Advertising sales income less than last year.				(535,974)
Production income greater than last year.				32,561
eNewsletter income less than last year.				(3,967)
Fundraising	(385,805)			
Non-member fundraising less than last year.				(206,477)
DMS fundraising less than prior year due to change in fundraising plan.				(145,272)
USAA sponsored the Legacy Run last year, not this year accounting for \$40k decrease				(34,025)
Other				(31)
Contributions Income	1,489,276			
Bequests greater than prior year with one \$500k bequest being the main driver				787,364
Non Member contributions greater than last year to date				442,559
Intercompany transfers greater than last year (recording contributions for other Legion companies).				257,547

Category	Favorable/ (Unfavorable)	Reason		
		Accounting /accrual	Timing/ One Time	Volume/Rate
Contributions Income continued				
Legacy scholarship fund contributions less than 2017				(17,418)
DRTV revenue greater than last year as 2017 had an adjustment to the account balance due to a coding error.				6,201
VE&E contributions greater than 2017				3,400
All other contributions				9,623
Royalties & Member Service Income				
	286,134			
USAA revenues up from prior year due to new contract terms changing distribution schedule.			498,364	
Senior term life revenue less than last year. No income received yet in 2018.				(143,730)
Birthday life revenues less than last year. Looks like we are a payment or two behind.			(60,678)	
Senior term life revenue less than 2017 (no July payment credited).				(7,822)
Programs Income				
	(145,064)			
Inaugural ball revenue in 2017, none in 2018			(643,844)	
Marketing sponsorship revenue greater than last year due to Abbvie collaboration billed in July.				497,431
Media and Communications less internet revenue and lower subscription revenue.				(26,021)
Meetings & Convention revenue up from 2017 because of greater sponsorship revenue (\$32,379) and greater banquet ticket sales (\$6,077) offsetting a decrease in booth rental \$20,620.				17,836
VA&R received sponsorship revenue for DSO school.				15,000
Internal Affairs/Membership revenue less than last year.				(6,837)
Other revenues variances +/- \$2,000				1,371

Category	Favorable/ (Unfavorable)	Reason		
		Accounting /accrual	Timing/ One Time	Volume/Rate
Investment Income	58,506			
Higher interest & dividends than last year mostly because of increased interest in general fund \$63,116; Legacy fund \$21,467, Tedrow \$19,906; Restricted \$17,411. Smaller increases in all other funds with the exception of reserve and overseas graves funds.				124,925
Realized gain/loss variance from last year				(61,566)
CFA variance from last year				(4,853)

Other Income	(1,078,723)			
Print & label fundraising less than last year to date				(727,789)
Finance had a non-recurring one time receipt in 2017 of \$575k offset partially by the receipt of management fees totaling \$241,972 in 2018.				(321,687)
Media & Communications income down from prior year when 100th anniversary book sales posted.				(27,708)
Meetings & Convention division received the convention corporation income split greater from Reno then from Cincinnati.				27,523
Fundraising miscellaneous income down from 2017.				(16,846)
Internal Affairs expense down from 2017 when SAL received a payment from Mutual of Omaha				(12,726)
Other				510

Total Revenue	(1,010,516)	0	(206,158)	(804,358)
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EXPENSES:

Wages	50,002			
Wage expense is down due to fewer employees than 2017.				104,818
PTO is up from last year. Employees are taking less PTO than awarded during same period.				(56,487)
Overtime is down from last year.				1,671

Benefits	914,447			
Pension expense down from 2017 due to timing of filing.			657,370	
Health insurance, reinsurance/admin fees expense lower than last year.				195,040

Category	Favorable/ (Unfavorable)	Reason	
		Accounting /accrual	Timing/ One Time Volume/Rate
Benefits continued			
Employment fees & relocation expense down from 2017.			47,938
Payroll taxes and 401k match is down due to prior year due to lower wages.			30,085
Life insurance cost up from 2017 because 7 months were paid in 2018 and 6 months in 2017.		(9,057)	
Recognition awards expense up from 2017.			(5,553)
Long term disability expense up from 2017.			(1,376)
Cost of Sales			

Category	Favorable/ (Unfavorable)	Reason		
		Accounting /accrual	Timing/ One Time	Volume/Rate
Office Operations expenses	1,006,752			
Inaugural expenses were in 2017; none in 2018.				782,148
Membership Services (DMS) spending is up from last year most especially the outside vendor packaging (\$399k) of the increase. Greater credit card fees (\$12,505) and direct renewal expense (\$15k). Outside services is down \$38k.				(389,217)
Legal division - lower litigation expenses \$342k and lower outside legal fees (\$21k).				355,921
Marketing non Inaugural spending up due to partnership expense and timing issue of First Degree retainer paid early			(45,000)	(117,214)
Paid Up For Life expenses are down from 2017 with lower promotion expense.				110,544
Purchasing lease agreements were renegotiated in 2017 causing year over year savings (\$69k) and lower depreciation since some assets fully depreciated in 2017 (\$18,353).				84,884
Committee & Commission travel expenses are down from 2017 probably due in part to timing. Last year more membership meeting reimbursement and convention xpense reports were in process in July than this year.				71,700
IT acquisitions and upgrades less than 2017 \$65k and computer supplies \$10k. Consulting fees are higher than 2017 \$52k; outside services less than 2017 \$33k (less temporary labor).				61,922
National Officers lower travel expenses than last yar \$35k; timing of National Commander's premiums less than last year \$33k offset by higher corporate fund expenses \$15k.				61,614
Media & Communications expense are up from 2017. Outside services up \$47k including \$32k for Centennial app. Publicity and prmotion is less than lsat year \$17,647 offset by higher publication information services \$12k.				(42,005)
Administation DC greater outside services due to higher consulting fees (\$30k) and higher depreciation \$7k.				(34,226)

Category	Favorable/ (Unfavorable)	Reason		Volume/Rate
		Accounting /accrual	Timing/ One Time	
Office Operations variances continued				
DC Maintenance lower outside service fees (temporary labor) \$31k offset by depreciation for new building project not in 2017 \$1,918.				29,582
Americanism no Legacy administration costs in 2017 (\$11,546) and lower publicity and promotion \$10,130.				28,740
Indy Executive Director lower education expense than last year \$17k; lower executive director expenses \$8k, lower stationery \$3k.				28,235
Meetings & Convention lower banquet expenses due to timing of deposits (\$93,752) offset by increased miscellaneous other (\$50k which had a \$50k revenue) and higher printing expense for convention bags \$49k.				(24,066)
Human Resources lower outside services (2017 had temp fees for DC HR rep) \$16k and lower education/training expense \$10k.				20,955
Library & Museum lower outside services \$13k due to 2017 having intern expense to IU \$7k of the \$13k & lower digitization cost plus lower restoration costs \$5,822.				19,607
VA&R telephone expense \$11k higher than 2017 due to more employees on our phone system; \$4,620 laptop replacements (none in 2017).				(12,620)
All other divisions with a variance +/- \$10,000				15,248
Postage & Printing Expense	277,732			
Membership services lower bulk mail than 2017 because of less expense so far this year.				256,263
Membership direct renewal postage less than 2017 (fewer members to renew) \$69k.				78,053
Internal Affairs much greater printing expense (membership applications and other membership costs).				(55,942)
Emblem Sales greater shipping expense than 2017 due to greater sales				(26,910)
Media & Communications less post office notices \$9,900 and 3rd class postage \$3,986.				13,003
Veterans Employment & Education lower printing \$4,888 and shipping expenses \$1,278.				6,166
All other divisions with a variance +/- \$5,000				7,099

Category	Favorable/ (Unfavorable)	Reason		
		Accounting /accrual	Timing/ One Time	Volume/Rate
Occupancy & Usage	(32,731)			
IT maintenance fees greater than last year at this time.				(28,139)
Finance division expenses are up from 2017 because Mavro scanning went into service late last year.				(16,249)
DC facility lower janitorial/maintenance supplies \$7,029; utilities \$5,720, lower repairs and upkeep \$3,805 offset by higher building maintenance (\$1,295).				15,259
Marketing services group facility expenses down (\$6,284) higher utilities; (\$3,211) greater depreciation (due to VA&R build out); higher janitor contracts (\$2,663).				(5,872)
Purchasing machine maintenance is down \$101,388 offset by increased lease expense \$97,500.				3,264
All other divisions with a variance +/- \$3,000				(994)
Programs	160,940			
VA&R expenses up from 2017 with \$204k of the variance due to the legal fees paid to a VA disability law firm who provides assistance to our service officer school, et. Al. The 2017 expense was processed against the 2016 FY. Travel is up for field services section \$14,010 offset by decrease in insurance activities \$7,266.				(187,700)
Committees & Commission travel down from last year due to timing of convention travel reports getting ready. Last year \$258k in expense posted for July but only \$65k this year. This is going to correct in August or September.			161,910	
Americanism expenses down from the same period last year due to timing of paying Baseball \$17k and Boys Nation \$61k related expenses. Oratorical contest is complete and the travel expenses were up (\$31,666) from 2017. JSSP is down \$15,493 with most of the expenses posted. SALAA expenses now charged to Internal Affairs \$44,234		44,234	85,722	

Category	Favorable/ (Unfavorable)	Reason		
		Accounting /accrual	Timing/ One Time	Volume/Rate
Programs continued				
Fundraising & bank financial programs lower revenue share with the departments year over year.				85,613
Internal Affairs SALAA expenses greater than last as they were charged to Americanism in 2017.		(28,091)		
National Security increased prgram expense related to Fulbright Institute event held during Washington Conference \$7,500; greater travel expense than 2017 \$2,329.				(9,860)
All other program variances under \$10,000 +/-				9,112
Fundraising	1,267,167			
Non Member fundraising expenses lower than last year to date.				946,820
DRTV expenses lower than 2017 due to discontinuation of the program.				246,678
DMS fundraising expense less than last year due to change in program				67,308
Legacy Run miscellaneous fundraising expenses down from last year to date.				6,361
Grants	56,137			
TFA grants less than 2017 because of changes made to the program late 2017.				252,343
Recording of grants from TAL to other TAL funds (mainly ALC).				(221,047)
2017 One time grant to US Foundation of Commemmoration of World Wars				50,000
Scholarships are down from 2017 due to write offs of expired scholarships not redeemed by				(16,697)
Commanders incentive less awarded through May than in 2017.				(11,624)
All other grants (employer of year, Devore, Hurricane relief)				3,162
Total Expenses	4,334,320	(22,285)	859,333	3,497,272
Net Surplus from Operations	3,323,804	(22,285)	653,175	2,692,914
Other Income & Expense				
Unrealized Gain / Loss	3,960,590			3,960,590
Other income/expenses (Pension, PUFL)				

Category	Favorable/ (Unfavorable)	Reason		
		Accounting /accrual	Timing/ One Time	Volume/Rate
Transfers/Allocation	(2,661)			(2,661)
Total Other Income & Expense	3,957,929	0	0	3,957,929
Revenue in Excess (Deficiency) of Expenses	(634,125)	(22,285)	653,175	(1,265,015)

The American Legion
National Headquarters
Emblem Sales Income Statement
July 31, 2018

	July 2018	2018 Year to Date	2017 Year to Date	2018 Year to Date vs. 2017 Year to Date Variance Favorable/ (Unfavorable)	Year to Date Variance % Favorable/ (Unfavorable)
Revenue					
Auxiliary Sales	85,368	812,127	781,596	30,532	3.91%
Legion Sales	842,362	6,950,766	6,848,841	101,925	1.49%
Navy Club Sales	92	778	955	(178)	-18.60%
Special Order Sales	64,158	372,888	455,749	(82,861)	-18.18%
Royalty Revenue	49,809	58,500	58,087	413	0.71%
Shipping Revenue	106,017	935,668	878,493	57,175	6.51%
Miscellaneous Revenue	93	933	1,260	(327)	-25.96%
Total Revenue	1,147,899	9,131,660	9,024,982	106,678	1.18%
Cost of Goods Sold	673,387	4,944,015	4,987,889	43,874	0.88%
Gross Profit	474,513	4,187,646	4,037,094	150,552	3.73%
Expenses					
Selling Expenses					
Publicity & Promotion	51	770	2,474	1,704	68.87%
Advertising	9,804	159,004	127,893	(31,110)	-24.33%
Postage and Freight	75,905	1,023,537	996,627	(26,910)	-2.70%
Travel Expenses	5	10,978	10,784	(195)	-1.80%
Shipping Supplies	4,057	37,519	44,767	7,248	16.19%
Total Selling Expenses	89,821	1,231,809	1,182,546	(49,263)	-4.17%
General & Administrative Expenses					
Salaries and Benefits	99,972	760,922	707,132	(53,790)	-7.61%
Dues and Fees	111	2,714	27,424	24,710	
Office Stationery & Supply	1,278	11,363	15,769	4,406	27.94%
Outside Services & Fees	12,204	102,693	106,359	3,666	3.45%
Printing Supplies	0	0	80	80	
Telephone	3,016	21,922	18,958	(2,964)	-15.64%
Credit Card Fees	21,068	190,908	181,709	(9,199)	-5.06%
Other Expenses	2,767	23,797	20,140	(3,658)	-18.16%
Taxes	0	17	64	47	
Total General & Admin Expenses	140,414	1,114,336	1,077,634	(36,702)	-3.41%
Total Expenses	230,236	2,346,145	2,260,101	(86,044)	-3.81%
Allocations	54,787	285,320	249,714	(35,605)	-14.26%
Net income	189,490	1,556,181	1,527,279	28,903	1.89%

The American Legion
Media & Communications
Income Statement
July 31, 2018

	July	2018 Year to Date	2017 Year to Date	2018 Year to Date vs. 2017 Year to Date Variance Favorable/ (Unfavorable)	Year to Date Variance % Favorable/ (Unfavorable)
Revenue					
Membership Subscriptions	477,022	3,287,534	3,382,274	(94,740)	-2.80%
Advertising Income	635,976	4,743,494	5,279,468	(535,973)	-10.15%
Internet Group Income (eNewsletter)	14,974	185,713	189,680	(3,967)	-2.09%
Production Income	-	120,500	87,939	32,561	
Other Subscriptions	10,621	122,238	148,259	(26,021)	-17.55%
Other Income	(1,438)	10,128	37,836	(27,708)	-73.23%
Total Revenue	1,137,155	8,469,607	9,125,456	655,849	-7.19%
Cost of Goods Sold	92,841	696,922	765,098	68,176	8.91%
Gross Profit	1,044,314	7,772,685	8,360,358	(587,674)	-7.03%
Expenses					
Salaries and Benefits	144,542	1,042,653	1,212,208	169,555	13.99%
Magazine Expenses	859,039	6,000,983	5,900,544	(100,439)	-1.70%
Grants	7,978	7,978	10,742	2,763	25.73%
Office Operations	57,658	465,117	423,112	(42,005)	-9.93%
Postage and Printing	3,011	62,598	75,601	13,003	17.20%
Program & Occupancy Expense	2,803	4,995	2,751	-	
Total Expenses	1,075,031	7,584,324	7,624,958	42,878	0.56%
Allocations	70,785	387,799	320,671	(67,128)	-20.93%
Net income	(101,501)	(199,439)	414,729	(614,168)	-148.09%